National Foundation for Australian Women
REAL WOMEN. VISIONARY LEADERSHIP

GENDER LENS ON THE 2023-24 BUDGET

Key Policy in discussion	**SUPERANNUATION**
Portfolio and or agency	**Treasury**
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Key Portfolio Issues

The major superannuation measures are the introduction of an additional tax on superannuation holdings over $3m and the requirement that employers must pay superannuation to funds on a payday cycle instead of quarterly in arrears. Both of these measures improve the equity of the superannuation system. The Government has not introduced any requirement for superannuation to be paid on parental leave, whether paid by the Government or employers. This measure would assist primary carers, the majority of whom are women, and would send a message that parents on parental leave are making a contribution.

Budget Measures

Better Targeted Superannuation Concessions

Receipts ($m)

	2022-23	2023-24	2024-25	2025-26	2026-27
Australian Taxation Office	-	-	-	325.0	625.0
Related payments ($m)					
Australian Taxation Office	-	*4.5*	*14.3*	*16.0*	*10.8*
Department of the Treasury	-	*1.1*	*0.9*	..	-
Total – Payments	-	*5.6*	*15.2*	*16.0*	*10.8*

Source: Commonwealth of Australia (2023-24), Budget Paper No 2: Budget Measures Page 15

The Government will reduce the tax concessions available to individuals with a total superannuation balance exceeding $3 million, from 1 July 2025.

Individuals with a total superannuation balance of less than $3 million will not be affected.

This reform is intended to ensure generous superannuation concessions are better targeted and sustainable. It will bring the headline tax rate to 30 per cent, up from 15 per cent, for earnings corresponding to the proportion of an individual's total superannuation balance that is greater than $3 million. This rate remains lower than the top marginal tax rate of 45 per cent. Earnings relating to assets below the $3 million threshold will continue to be taxed at 15 per cent or zero per cent if held in a retirement pension account.

Interests in defined benefit schemes will be appropriately valued and will have earnings taxed under this measure in a similar way to other interests. This will ensure commensurate treatment.

This measure was announced in February, and Treasury undertook a short consultation focussed on technical issues around the calculation of the amount to be taxed.

Securing Australians' Superannuation Package – increasing the payment frequency of the Superannuation Guarantee (SG) and investing in SG compliance

Receipts ($m)

	2022-23	2023-24	2024-25	2025-26	2026-27
Australian Taxation Office	-	-	-	-	835.0
Related payments ($m)					
Australian Taxation Office	-	*40.2*	-	-	*-285.0*
Department of the Treasury	-	*1.2*	*0.5*	-	-
Department of Finance	-	*0.1*	-	-	-
Total – Payments	-	*41.4*	*0.5*	-	*-285.0*

Source: Commonwealth of Australia (2023-24), Budget Paper No 2: Budget Measures Page 26

From 1 July 2026, employers will be required to pay their employees' SG entitlements on the same day that they pay salary and wages.

Currently, employers are only required to pay their employees' SG on a quarterly basis. By increasing the payment frequency of superannuation to align with the payment of salary and wages, this measure will both ensure employees have greater visibility over whether their entitlements have been paid and better enable the ATO to recover unpaid superannuation. Increased frequency of payment will also support better retirement outcomes. A 1 July 2026 commencement date will allow the ATO, payroll service providers and superannuation funds time to make necessary system changes and for employers to adjust their cash flow practices.

Note that the measure includes funding to the ATO for compliance activities and to support employers in difficulties.

Background: current circumstances of women in this portfolio

It is now well understood that women have lower superannuation balances at retirement. In June 2019 men aged 60-65 had a median balance of $178,800, 23.4 per cent higher than the median balance for women of $137,050 (Clare, 2020; p9). The superannuation gap is contributed to by female workforce participation patterns and the gender pay gap.

Currently the earnings of a superannuation fund are taxed at 15 per cent. Because women have lower superannuation balances, they receive a lower tax benefit from this concessional treatment. The 2022-23 Tax Expenditures and Impacts Report (Treasury, 2023) provides the following gender breakdown of the existing concession:

Table 2.6 Distributional effect by gender, 2019–20

Gender	Average benefit ($)	Recipients (million)	Share of total benefit (%)
Men	1,100	8.7	61
Women	750	8.2	39
Total	930	16.9	100

Source: 2022-23 Tax Expenditures and Impacts Report, Treasury, 2023

The current measures require superannuation to be paid quarterly in arrears. The two main concerns are non-payment of super, which is a form of wage theft; and timing disadvantages in the deferred payment.

The change in the timing of the payment of superannuation is expected to reduce non-payment of superannuation. The behaviour involved most commonly and most significantly affects low paid employees in part-time and casual work—all groups in which women predominate (Gilfillan, 2018; UnionsACT, 2018, p. 6); It is also commonplace in industries in which women predominate, including healthcare and social assistance ($220 million), accommodation and food services ($190 million) and retail ($180 million) (PwC, 2019). While it disproportionately affects migrant workers, among migrant workers it disproportionately affects women (Berg and Farbenblum, 2017, p. 32).

Superannuation non-payment was difficult to detect prior to the implementation of real time reporting of data, however employers are now required to report superannuation liabilities in real time, facilitating recovery action in the event of non-payment.

Deferred payment means that the money is held by the employer for longer, which may assist the employer's cash flow, but the contributions do not start to earn returns for the employee until the contributions are actually paid into the employee's superannuation account.

The proposal in the 2023-24 budget extends reporting to require payment from 1 July 2026, allowing the ATO, employers and superannuation funds time to implement the necessary changes.

Gender implications of this budget measure

It is expected that the new tax will affect around 80,000 individuals in 2025–26, or approximately 0.5 per cent of individuals with a superannuation account. Based on the existing concession, we would expect that women will be less adversely affected by the new tax.

Members facing this new tax will only be able to withdraw funds if they meet a condition of release. While the evidence shows that the highest balances are in the older cohorts, there may be circumstances where a member cannot meet the retirement conditions of release, and they are locked into the new tax. Funds over the cap should be able to be withdrawn from superannuation allowing the member will be able to make decisions on how to best use those funds, including investing at a personal marginal tax rate.

This measure is estimated to increase receipts by $950.0 million and increase payments by $47.6 million over the 5 years from 2022–23. This additional revenue will increase the funds available to support other Government services, including Child Care, Aged Care and Welfare.

The introduction of Payday Super will assist all employees, including women. The additional earnings from more timely investment in superannuation will cause more rapid growth in the balance of low balance holders, disproportionately women.

We note that there is no provision to require payment of superannuation guarantee on parental leave. When Commonwealth Paid Parental Leave was introduced the Productivity Commission recommended that superannuation be paid. We also note that there is no requirement under the Superannuation Guarantee Act for employers to pay superannuation on Paid Parental Leave, although it may be included in an employment contract or EBA. (See also Paid Parental Leave section.)

This needs to be addressed as a matter of urgency. Although the dollar value is not large it will make a difference at retirement. Non-payment sends a message that the work of carers is not valued.

Recommendations

The proposal to impose an additional tax on superannuation balances over $3m is supported, however a condition of release must be provided to ensure that a person affected by the change can withdraw surplus funds from the superannuation system.

The Government should mandate payment of superannuation guarantee on parental leave, both Commonwealth funded Parental Pay and for Paid Parental Leave attached to the Parental Leave provisions in the Fair Work Act and Superannuation Guarantee legislation.